

Message Text

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TO AMEMBASSY BELGRADE IMMEDIATE

S E C R E T STATE 242025

EXDIS/TOSEC 654

FOL REPEAT JIDDA 6443 SENT ACTION SECSTATE INFO ABU DHABI ALGIERS
BONN BRASILIA CARACAS KINSHASA KUWAIT LONDON NEW DELHI PARIS
TEHRAN AND TOKYO NOV 4, 1974

QUOTE

S E C R E T JIDDA 6443

EXDIS

DEPT PLEASE PASS TO THE SECRETARY

E.O. 11652: GDS

TAGS: ENRG, SA, US, FR, EC

SUBJECT: FRENCH PROPOSAL FOR CONSUMER/PRODUCER CONFERENCE

REF: A) PARIS 25419; B) STATE 198035 (NOTAL)

SUMMARY: FRANCE HAS ASKED SAUDI ARABIA FOR SUPPORT
ON THE GISCARD PROPOSAL FOR AN OIL PRODUCER/CONSUMER
CONFERENCE. YAMANI TOLD THE AMBASSADOR THAT THIS
WAS VERY SIMILAR TO HIS OWN PLAN AND HE WILL ASK THE
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FRENCH TO AMEND THEIR PROPOSAL TO BRING IT MORE IN

LINE WITH HIS THINKING. HE IS SURE THE FRENCH WILL AGREE. THE FRENCH HAVE PROPOSED THE FIRST MEETING OF EXPERTS FOR NOV 28 (THE SAUDIS WILL ASK THEM TO POSTPONE THIS FOR A FEW WEEKS), WITH A MINISTERIAL MEETING HELD IN FEBRUARY OF NEXT YEAR. THE FRENCH WISH TO DISCUSS ONLY OIL PRICES AND SUPPLY BUT YAMANI BELIEVES THAT OTHER OPEC COUNTRIES WILL INSIST ON OTHER COMMODITIES ALSO BEING INCLUDED. HE HAS NO OBJECTION TO THIS (BECAUSE OF THEIR RELATIVE UNIMPORTANCE COMPARED WITH OIL) AND BELIEVES THAT THEY COULD BE DISPOSED OF IN A SHORT TIME. IT IS MOST IMPORTANT, YAMANI BELIEVES, FOR MAJOR OIL PRODUCERS TO BE EXPOSED DIRECTLY TO THE PROBLEMS THE HIGHER OIL PRICES ARE CAUSING THE CONSUMERS. END SUMMARY.

1. AHMED ZAKI YAMANI, SAUDI MINISTER OF PETROLEUM TOLD ME THAT A FRENCH MESSENGER (EX-MINISTER JEAN DE LIPKOWSKI) HAD BROUGHT A LETTER TO KING FAISAL FROM FRENCH PRESIDENT GISCARD D'ESTAING, REVIEWING HIS PROPOSAL FOR AN OIL PRODUCER/CONSUMER CONFERENCE (REF A), AND ASKING FOR SAUDI SUPPORT.

2. THE LETTER SUGGESTS A MEETING OF FOUR PRODUCERS (PROBABLY IRAN, SAUDI ARABIA, ALGERIA, VENEZUELA -- AS YAMANI HAD SUGGESTED EARLIER) WITH FOUR MAJOR CONSUMERS (U.S., JAPAN, FRANCE AND PROBABLY GERMANY -- NO RPT NO UNDEVELOPED COUNTRIES). THE SOLE TOPICS WOULD BE OIL SUPPLIES AND OIL PRICES.

3. KING FAISAL WAS NONCOMMITTAL AND ASKED LIPKOWSKI TO SEE YAMANI TODAY (NOV 4). YAMANI SAID HE ASSUMED THE U.S. WOULD SUPPORT OR AT LEAST NOT OPPOSE THE FRENCH PROPOSAL AS IT WAS SIMILAR TO ONE HE HAD MADE AND WHICH WE HAD ACCEPTED, AT LEAST TACITLY (REF B). I TOLD HIM I HAD RECEIVED NO GUIDANCE FROM WASHINGTON ON THE FRENCH PROPOSAL.

4. YAMANI SAID THAT OPEC, EXCEPT SAUDI ARABIA AND IRAN, WOULD STRONGLY OPPOSE SUCH A MEETING UNLESS IT WERE TO DISCUSS OTHER COMMODITIES AS WELL AS OIL. HE
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SAID HE SAW NO REASON NOT RPT NOT TO HUMOR THEM ("ALL THE OTHER COMMODITIES CAN BE HANDLED IN HALF A DAY.") HE THOUGHT HE WOULD BE ABLE TO PERSUADE THE FRENCH TO INCLUDE, AT LEAST NOMINALLY, OTHER COMMODITIES.

5. YAMANI SAID HE HAD BELIEVED FOR A LONG TIME THAT THE MOST IMPORTANT THING WHICH COULD BE DONE TO REDUCE OIL PRICES WOULD BE TO BRING THE MAJOR PRO-

DUCERS FACE TO FACE WITH THE MAJOR CONSUMERS. THEN, IF THE CONSUMERS WERE CAPABLE, THEY WOULD BE ABLE TO DEMONSTRATE THE EFFECTS ON THEIR ECONOMIES AND ON THE ECONOMY OF THE WORLD, OF THE SUDDEN SUBSTANTIAL INCREASE IN WORLD OIL PRICES. THEY COULD ALSO DEMONSTRATE HOW WORLD COMMUNISM WOULD BENEFIT. THE FIRST MEETING COULD AT LEAST SET THE ATMOSPHERE AND THE AGENDA FOR SUBSEQUENT MEETINGS WHICH WOULD THEN CONSIDER HOW MUCH, OR IF, OIL PRICES COULD BE CUT NOW; HOW, OR IF, THEY WOULD SUBSEQUENTLY BE TIED TO WORLD INFLATIONARY RATES; AND HOW OPEC MONETARY SURPLUSES COULD BE INVESTED AT HOME AND ABROAD.

6. YAMANI SAID HE THOUGHT ANY CONFERENCE TO BE EFFECTIVE MUST INCLUDE SEVERAL UNDEVELOPED COUNTRIES. HE HAD SUGGESTED EARLIER INDIA, BRAZIL AND ZAIRE. HE WOULD RAISE THIS WITH LIPKOWSKI WHO HE THOUGHT WOULD ACCEPT HIS IDEA ON EXPANDING THE CONFERENCE.

7. THE FRENCH, YAMANI SAID, ARE ASKING FOR A MEETING OF EXPERTS ON NOV 28 AND A MEETING AT MINISTERIAL LEVEL IN FEBRUARY 1975. YAMANI THOUGHT THAT NOV 28 WOULD BE TOO SOON FOR THE PRODUCERS AND THOUGHT THE MEETING SHOULD BE POSTPONED FOR A FEW WEEKS. HE WAS ALSO SURE THE FRENCH WOULD AGREE TO THIS. IN FACT, "THEY WILL AGREE TO ANYTHING TO GET SAUDI SUPPORT."

8. COMMENT AND ACTION REQUESTED: I BELIEVE YAMANI WILL BRIEF ME FULLY ON HIS CONVERSATION WITH LIPKOWSKI. HE WILL ALSO EXPECT A U.S. REACTION. CAN I GIVE HIM ANYTHING? IF YAMANI PROMPTS THE KING TO DO SO, THE SUBJECT MAY BE RAISED WITH
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THE SECRETARY DURING HIS VISIT TO RIYADH NOV 6.
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